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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/60/427 and Add.1). It also provides a review of the Organization's financial situation as at 31 October 2006 and revised projections to 31 December 2006.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. By 31 October 2006, assessments issued during 2006 were lower than at 31 December 2005 under all categories, except the capital master plan. Unpaid assessments at 31 October 2006 were also higher than at 31 December 2005 for all categories, except peacekeeping operations.

Projections for cash balances at the end of 2006 are higher than at the end of 2005 for the capital master plan and the international tribunals and lower for peacekeeping. The position of the regular budget is uncertain and could either approximate the positive balance at the end of 2005 or require borrowing from reserves depending on payments to be received from a few Member States during November and December.

Amounts owed to troop and equipment providers are expected to increase by over $300 million instead of the modest reduction that had been expected. The increase reflects higher obligations, owing to an increased level of activity, and lower payments, owing to delays in the receipt of assessed contributions. It also reflects the delay in the issuance of assessments for 2007 until the General Assembly adopts a new scale of assessments. Payments to September 2006 were broadly current except for the United Nations Mission for the Referendum in Western Sahara, the United Nations Interim Administration Mission in Kosovo and the United Nations Observer Mission in Georgia, owing to cash shortfalls in those missions. Payments in

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the final quarter of 2006 will not be possible, however, as cash resources available will be needed to cover operating costs for the first quarter of 2007.

The position of the international tribunals remains relatively healthy and, assuming receipt of anticipated payments in the next few weeks, it is anticipated that cash balances for both tribunals will be positive at the end of 2006.

The financial position of the United Nations remains fragile. Unpaid assessed contributions are heavily concentrated among a few Member States; the final outcome for 2006 will depend in large measure on the payments that they make in the final quarter of 2006. Furthermore, the Organization is faced with an unacceptable increase in its debt to Member States that provide troops and equipment for peacekeeping operations. The only way to overcome the problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/60/427 and Add.1). It also provides a review of the Organization's financial situation at 31 October 2006 and revised projections to 31 December 2006.

2. In order to tackle effectively the challenging tasks with which it is entrusted, the United Nations must have a strong and dependable financial base for its activities. It is still far from achieving that result.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 31 October 2006

4. A review of the financial situation shows decreases in the level of assessments for the regular budget (from $1,828 million at 31 December 2005 to $1,755 million at 31 October 2006), peacekeeping (from $4,738 million to $3,373 million) and the international tribunals (from $295 million to $269 million) compared to the position at 31 December 2005, with an increase for the capital master plan (from $18 million to $109 million). Peacekeeping assessments issued in 2006 are currently below those issued by the end of 2005, but peacekeeping assessments which the United Nations could otherwise issue for the first half of 2007 must await adoption by the General Assembly of the scale of assessments for 2007-2009. It is currently estimated that such assessments, totalling over $1.5 billion, will be issued early next year. As at 31 October 2006, unpaid assessments for the regular budget, the tribunals and the capital master plan were also higher than at the end of 2005. Unpaid assessments for peacekeeping operations were lower, although still in excess of $2.5 billion and not reflecting assessments that will be issued for the first half of 2007.

5. The Secretary-General would like to pay a special tribute to the 23 Member States that have paid in full all assessed contributions due and payable at 31 October 2006 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Australia, Azerbaijan, Bulgaria, Canada, the Congo, the Czech Republic, the Democratic People's Republic of Korea, the Democratic Republic of the Congo, Denmark, Fiji, Finland, Germany, Ireland, Liechtenstein, New Zealand, Norway, Poland, the Russian Federation, Singapore, Slovakia, South Africa, Sweden and the United Kingdom of Great Britain and Northern Ireland. In addition, Austria and Portugal have paid their due and payable assessments in full since 31 October 2006. Other Member States are urged to follow the example of these countries.

A. Regular budget

6. By 31 October 2005, assessed contributions for the regular budget totalling over $661 million were still outstanding: a reduction of $58 million compared to the position at 31 October 2005. The position of the regular budget at the end of 2006 is

still uncertain and the final outcome will depend on action to be taken in the next few weeks by a fairly small group of countries.

7. Of the total amount outstanding of $661 million, $526 million is accounted for by the United States of America, $51 million by Japan, $28 million by Argentina and $22 million by Brazil. By 31 October 2006, 122 Member States had paid their assessments to the regular budget in full, a decrease from the 130 Member States that had paid in full by 31 October 2005, and significantly fewer than the 140 that had paid in full by 31 December 2005. The Secretary-General wishes to thank the 122 Member States that have honoured their obligations for the regular budget in full at 31 October 2006 and urges other Member States to follow their example.

8. At the end of 2005, $123 million of cash was available for the regular budget. At 31 October 2006, that amount stood at $68 million, with another $322 million in related reserve accounts. To date, it has not been necessary to draw on those reserves in 2006 but, depending on the payments received from a few Member States in the next few weeks, it may be necessary to draw on over $200 million of those reserves by 31 December.

B. Peacekeeping operations

9. Assessments for peacekeeping operations in 2005 exceeded $4.7 billion. The corresponding amount at 31 October 2006 was over $3.3 billion, but did not include assessments for the first half of 2007, which could not be issued until the General Assembly adopts a scale of assessments for 2007.

10. Peacekeeping assessments are issued throughout the year, as budgets are approved by the General Assembly and the mandates of each operation are extended by the Security Council. Although the total amount outstanding is more than $350 million lower than at the end of 2005, it still stands at over $2.5 billion and will be supplemented by significant new assessments when the General Assembly adopts assessment rates for 2007. On the other hand, it should be noted that the current total includes assessments of some $811 million, which were issued on 31 October 2006 and are therefore still within the 30-day due period.

11. Of the more than $2.5 billion that was outstanding at 31 October 2006, over half was owed by two Member States ($799 million by the United States of America and $563 million by Japan) and over 70 per cent by just five ($174 million by France, $140 million by Ukraine and $111 million by China in addition to the amounts owed by the United States and Japan).

12. At 31 October 2006, 25 Member States (Australia, Azerbaijan, Botswana, Bulgaria, Canada, the Congo, the Czech Republic, the Democratic People's Republic of Korea, the Democratic Republic of the Congo, Denmark, Fiji, Finland, Germany, Ireland, Liechtenstein, New Zealand, Norway, Poland, the Russian Federation, Singapore, Slovakia, South Africa, Sweden, Switzerland and the United Kingdom) had paid all peacekeeping assessments that were due and payable. Full payment was received subsequently from Austria and Portugal. All other Member States are urged to follow this example.

13. It is projected that cash available in peacekeeping accounts at the end of 2006 will total over $1.5 billion. Of that amount, $1.149 billion is expected to be in the

accounts of active missions, $140 million in the Peacekeeping Reserve Fund and $300 million in the accounts of closed peacekeeping operations.

14. Of the $300 million in the accounts of closed operations, however, $259 million is payable to Member States or others or is held in accounts that have negative net cash balances. Since the General Assembly has decided that there should be no cross-borrowing from the accounts of active peacekeeping operations, only $41 million will be potentially available for cross-borrowing for other accounts, including the regular budget, the tribunals and other peacekeeping operations. This provides a very thin margin if cross-borrowing is required in the future.

15. In this context, it should be noted that, during 2006, cross-borrowing was needed for the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Observer Mission in Georgia (UNOMIG).

C. International tribunals

16. The financial position of the International Criminal Tribunal for Rwanda (ICTR) and the International Criminal Tribunal for the Former Yugoslavia (ICTY) remained relatively healthy in 2006.

17. Unpaid assessments for the two tribunals was $18 million lower at 31 October 2006 than a year earlier. It is projected that there will be cash available for the tribunals at the end of 2006, although the position of ICTY is likely to be stronger than that of ICTR. Such an outcome will of course depend on the payments received during the rest of 2006.

18. The balance of assessments outstanding at 31 October 2006 was highly concentrated. Of the $55 million outstanding, over 85 per cent was accounted for by five Member States, with the balance being owed by 101 other Member States.

19. The Secretary-General wishes to express his appreciation to the 85 Member States that have paid their assessed contributions in full by 31 October. In view of the continuing uncertainty of the tribunals' finances, he urges other Member States to follow their example.

D. Capital master plan

20. Of the $152 million assessed for preparatory activities for the capital master plan since 2003, $86 million had been paid by 31 October 2006, leaving $66 million still outstanding. A report on the future implementation of the capital master plan will be submitted to the General Assembly at its current session.

III. Debt to Member States

21. The forecast in May 2006 was that the Organization would owe Member States a total of $615 million for troop and equipment costs at the end of the year against a total of $695 million at the end of 2005. The revised forecast now is $1,039 million as at 31 December 2006. The increase in the total debt is due to a number of factors, including full deployment of troops in the United Nations Operation in Côte d'Ivoire and the United Nations Mission in the Sudan, additional troops deployed to the United Nations Organization Mission in the Democratic Republic of the Congo, the expansion of the United Nations Interim Force in Lebanon and the establishment of the United Nations Integrated Mission in Timor-Leste. Between 31 December 2005 and 30 September 2006, the total number of troops and formed police units deployed rose from 63,175 to 69,929.

22. The payment of troop and equipment obligations was broadly current up to September 2006, except for MINURSO, UNMIK and UNOMIG, owing to cash shortfalls in those missions. Owing to delays in the receipt of contributions, exacerbated by those related to the current unavailability of the rates of assessment for 2007, however, it will not be possible to make the payments that were expected in the final quarter of 2006. Cash resources available will be needed to cover operating costs through the first quarter of 2007, by which time further payments of assessments are expected.

23. The Secretary-General remains committed to meeting the Organization's obligations to Member States providing troops and equipment to peacekeeping operations as expeditiously as possible. To do so, however, it is essential that Member States meet their financial obligations to the United Nations in a fuller and more timely fashion.

IV. Conclusions

24. **The financial situation remains serious and outstanding assessed contributions at 31 October 2006 were highly concentrated among a few Member States. The final outcome in 2006 is very much dependent on the receipt of significant payments by the end of the year, especially from those Member States. These uncertainties are of particular concern, since the Organization's reserves and resources available for cross-borrowing are very modest. Furthermore, a high and increasing level of debt to troop and equipment providers has been projected. The only way in which these issues can be resolved is for Member States to meet their financial obligations to the United Nations in a fuller and more timely fashion.**